

The AMERICAN OBSERVER

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. —James Monroe

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Influence of World Prices on U. S. Felt

International Trade Made Difficult By Unstable Currencies in Many Foreign Countries

VITAL FACTOR IN DEPRESSION

Present Condition Aggravated by Tariffs, War Debts and Armaments

Sir Arthur Salter, noted British economist, author of "Recovery—The Second Effort," one of the best books on the depression, makes this startling statement in the current issue of the *Yale Review*: "The next year will be one of the most critical in the history of modern civilization." Probably there are few economists and few careful students of world affairs who will not agree with this assertion. Few there are who will speak with assurance as to the course of events during the coming months. Informed people believe that almost anything may happen. We may go either up or down. There is reason for hope, as we enter the new year, that the downward plunge into depression has been checked and that we are on the road to better times. But everyone agrees that much depends upon the policies which are adopted by our own government and the other governments of the world. Much depends upon the degree of success with which certain great international problems, among which are the debts, tariffs and arms limitation, are handled. Let us inquire, then, how these problems affect us. And let us then examine some of the programs looking toward their solution in order that we may see where we are as the new year gets on its way.

When Prices Fall

The first point to consider is the relation of world financial conditions to prices. Everyone is anxious about the price question. The prices of nearly all kinds of commodities began to fall after the 1929 crash. They fell irregularly until about the middle of last summer. So long as they were falling we kept sliding deeper and deeper into depression. It is easy to see how falling prices depress business, throw people out of work and add to the miseries of all. The manufacturer loses when prices are going down. He buys raw materials at a certain price. He holds them, transforms them into finished goods, and then sells the product at a lower price. The merchant also loses, for he buys his goods at one price and sells them on a lower level. When prices are falling, merchants and manufacturers, finding themselves unable to make money, suspend their operations. The merchant checks his buying, reducing his purchases from the manufacturer. The manufacturer closes his factories and throws men out of work. More and more families find themselves unable to buy goods, and this still further checks buying and hurts business. Those who have work see their salaries and wages cut. The farmer must sell his goods at lower and lower prices. Debtors find it harder and harder to get the money to pay off their debts. Creditors who might otherwise gain by falling prices, lose, as a matter of fact, because so many of the obligations due them are unpaid. And so we

(Concluded on page 8)



—Talburt in Washington News

WHAT A FAMILY TO BE BORN IN

Whose Responsibility?

The President's Committee on Recent Social Trends, to which we refer elsewhere in this paper, sounds a note of challenge to all thinking citizens, and especially to students and teachers—to those whose entire time is given over to the study and mastery of whatever makes for the happiness of individuals and the betterment of society. This committee reports that we are living in a time when mechanical changes are altering ways of life. They are destroying our customary ways of working and living. They are breaking down our habits. They are doing away with certain industries and building others; throwing men out of employment; creating an extremely complex civilization, which needs to be guided. Inequalities, injustices, dangers, are developing. We need social control. We need to plan, so that those elements in our civilization which are desirable may be retained while the others are weeded out. The committee declares that it is not impossible for a people to decide in advance what course they wish their social and economic development to take. They need not stand idly by and become victims of changes which they have not willed. The creations of science need not be frankensteins which destroy their makers. We may plan to have stability in industry, to have arrangements by which the health of the people may be protected, to preserve family life, to curb crime, to prevent industrial injustices, to care for the poor and unfortunate. If we do not do these things, the penalty may be heavy. Dictators may assume control if democracy fails to conserve human welfare, and revolutions may sweep the land. These are not the idle mouthings of alarmists, but the considered judgments of competent thinkers, appointed to their tasks by the president of the United States. The committee declares that, in the midst of the great need, we are unprepared for this kind of planning—this kind of intelligent government. Who will assume the responsibility for the development of a citizenship fit to build a better and safer democracy? Where will leaders suited in mind and spirit to the needs of a new day be trained? Where, if not in the schools? What more inspiring challenge could be flung to the youth of America than the challenge to study the problems of public life and to fit themselves for leadership in the effort to guide their government through the storms and to make it a more certain guarantor of human happiness?

Machine Effects on Employment Cited

Claims of Technocracy Revive Issue As to Whether Machines Cause Permanent Loss of Jobs

ECONOMISTS CLASH ON SUBJECT

New Industries and Wide Frontier Have Absorbed Surplus Labor in Past

Since the depression began, two conflicting theories as to its meaning have been advanced. There are those who say that it is just the lower end of the ordinary business cycle. They say that we have had prosperous periods and years of adversity—fat years and lean years—throughout history. They say that history is repeating itself now and that while the present crisis differs in many respects from others, it is essentially the same kind of situation as we have had before. Others have contended that this is no ordinary depression, that we are in the midst not of one of the usual business crises but of a great social and economic change, comparable to the period of the enclosures in England, to the renaissance and to the industrial revolution. They say that we cannot expect conditions ever again to be as they were a few years ago.

"Technocracy"

Discussions of this kind have usually been confined to those who are especially interested in economic problems. The average man or woman has not been greatly concerned with them. But within the last few weeks, the question as to the nature of this crisis has been brought dramatically to the attention of all people who read the magazines and newspapers. It has been given wide prominence as the result of some startling facts and theories advanced by a group of engineers who call their system "Technocracy." These engineers have reached the conclusion that, due to a great number of inventions and to the rapid mechanization of industry, we have come to the place where machines can do the work of men, where human labor can be dispensed with to the extent that unemployment will increase even though the present business and financial crisis should pass away. These engineers declare that if all the industrial processes which are today known to our business managers were put to work, such a revolution would be created in industry that our old system would go to smash. They declare that unless something is done to prevent it, such a thing may occur within the next few years.

Energy Survey

These engineers, in charge of whom is a middle-aged man named Howard Scott, have been studying the problem of the production, distribution and consumption of goods for a number of years. Quite a group of them have been actively engaged for a number of months making a survey of North America to determine the production possibilities of this country. They call it an "energy survey." Some of their startling conclusions were published in a magazine about two months ago. Other magazines followed with descriptive articles. The newspapers took it up. Dr. Nicholas Murray Butler, president of Columbia University, referred to the work of this group of engineers in his annual re-

port late last month. Then, the week before last, a meeting of the American Association for the Advancement of Science held at Atlantic City spent a great deal of time discussing the question. As a result of all this publicity, "Technocracy" became a subject of conversation everywhere. The man in the street, the woman at tea, the business man in his office and the student in the classroom—all were talking about it and trying to understand what was meant by the term.

The rapid spread of this idea has been an interesting thing to watch. The way it has been taken up by people of all classes reminds one of the sudden and widespread popularity attained several years ago by Mah Jong and later by cross-word puzzles and miniature golf courses. Only this time the subject of such general interest was not a game or a sport but a very important and very urgent problem of economics. Perhaps the great interest in technocracy may be explained by the quite dramatic facts and figures put forth by the engineers who sponsor the idea. Here are some of the claims of the "Technocrats":

Technocratic Claims

With machinery, one man can produce 68 pairs of shoes in the time formerly required for one pair. Seventy men, using the digging machine, do as much work as 7,000 men with picks and shovels. The introduction of new machinery in the iron industry enables the same number of men to produce three times as much pig iron as in 1904. In the old days, a man could mill only a barrel and half of flour in a day; modern mills can produce 30,000 barrels a day for each man employed. In 1929, it took only one-third as much human labor to manufacture an automobile as in 1919 and one-twelfth as much as in 1909. Since 1929, new machines have increased the output of cigarettes from 500 to 3,000 a minute. A new typesetting machine, which is now being perfected, will enable one man automatically to set type in 1,000 cities. The possibility of running an entire factory by pushing a button, the technocrats declare, will be realized shortly when a rayon factory, now being built in New Jersey, will be operated entirely by one man.

This assertion of the breakdown of our economic and social order due to the rapid introduction of machinery is not the only feature of the program advanced by the engineers. They put forth an elaborate scheme by which the crisis may be met. They would do away with our system of exchange by the use of money, and they would substitute a very complicated system in its place—a system so complicated that it would be impossible to explain it in the brief space here at our command. They also declare that the crisis is so great that chaos will result if the politicians and business men continue to control our system. In place of the present system of government and industry, they would substitute a scheme of control by engineers. Their ideas as to how this revolutionary change is to be brought about are so vague that their program cannot be discussed with definiteness.

Revives Old Idea

Now the central idea back of the figures which these engineers publish is not a new one. Ever since the industrial revolution got under way, the claim has been made here and there that the introduction of labor-saving machinery resulted in unemployment, injustice, and unhappiness. When McCormick invented the reaper and set it to work, the harvesting machines were burned in the fields by workers who declared that their jobs were being taken away from them. And every invention of considerable importance has been opposed by those human elements whom it displaced. The economists have always had an answer, however, to these objections. They have said that the introduction of machinery cheapened production and consequently cheapened the price. This created added demand for the product so that more machines were set to work. In the long run, more men have been employed than before, the difference being that con-

sumption was greater and the standard of living accordingly higher. They argue that the wants of man are infinite so that there is no danger that more will be produced than people will consume if the products are only made cheaply enough. This explanation has not satisfied all people at all times. It has been pointed out that while the total of employment might grow with the introduction of machinery, the individual human beings who were displaced might never get back into industry. But while such cases of individual injustice have always been found, the continuous introduction of new forms of machinery has always seemed to work well for the

the automobile, like the radio, will be developing in the future?

These considerations have been commanding attention for several years. Before the crash of 1929 wide publicity was given to the fact that, though the total production of manufacturing plants in the United States had been increasing rapidly since the war, the total number of men employed in the manufacturing industries was falling off. The slack was being taken up in part by the development of new industries, by the expansion of the automobile industry, by the building of gasoline service stations everywhere, by the new demands in the field of personal services;



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IS MODERN MACHINERY THE CAUSE OF MAN'S PRESENT DISTRESS?

nation as a whole. The country has always had a western frontier and people thrown out of work have always been able to go west and find employment. The population has been growing rapidly. Society has been dynamic. New industries have been coming into being to take up the slack. There have been periodic times of unemployment but in general the country has moved forward to higher and higher levels of prosperity.

Changing Conditions

But will these happy results continue? Our frontiers have now changed; there are no new lands to which those thrown out of work may go. The population is ceasing to expand. Society has become static rather than dynamic. Can we be certain that new industries like the railroads, like

and yet unemployment was becoming a more serious problem even in the years of 1928 and 1929. This form of unemployment is known as technological unemployment and it was giving concern to many thoughtful people.

Such is the background against which we are to study the figures and the claims of the group of engineers working in one of the laboratories of Columbia University who call their system "Technocracy." Many of the facts which they set forth have been challenged and await definite proof. Their ideas as to the remedies for the situation they depict are confused and yet they have secured, as economists in general have not, very widespread attention to one of the fundamental problems of our age. The reception which their facts and theories have received has been varied. In the main, the

economists reject their notions as being but a rehashing of an old economic problem tied up with the advancement of dubious political ideas. Business men, in the main, reject the conclusions of the technocrats, though some of them are clearly worried. Those who advocate more systematic planning of industry and government feel that the revelations of this group of engineers may advance the popularity of planning. Here are a few comments from a variety of sources:

The St. Louis *Post-Dispatch*, liberal in its policy, looks at technocracy as follows:

As we see it, technocracy does call attention to a critical condition in society. We can give it credit for that without following it into those speculative realms which undertake to show us what the new order is to be like.

George Soule takes a somewhat similar position in a recent article appearing in the *New Republic* in which he declares:

There is, of course, something to be said, in a period of agitation, for concentrating on what is wrong and what you intend to do about it rather than upon the struggle to get the power to do anything. The technocrats, like most advocates of economic planning, are helping to change people's ideas so that they will be more ready to support new political forms and powers. They serve a function in the large complex of social change.

The *Business Week* and the *Financial World*, two of the better known business weeklies, share the opinion that technocracy's claims are fallacious. Says the *Business Week*:

... but it can be said without qualification that there is nothing in the results of the studies by this organization so far made available that offers the slightest scientific justification for any forecast of the course of economic events in this or any other country over the next few years or for any final conclusions as to the changes that may occur in our economic business structure in the future.

And the *Financial World*:

Let the truth be told, they are neither new nor are they truthful nor accurate. The trouble is that in these days of despairing psychology, they are too readily accepted without challenge as to their origination, propagation and substantiation.

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IRELAND

With unexpected suddenness, President Eamon de Valera dissolved the Dail Eireann, lower house of the Irish parliament, on January 3. He ordered that general elections be held January 24. Mr. de Valera took this action following a dispute with members of the Labor party in the Dail who had refused to back his policies. Without the support of the Laborites, it would have been impossible for Mr. de Valera to carry out his program and he has thus sought to gain, through new elections, a parliamentary majority for his party.

SOUTH AMERICA

An extremely critical state of affairs existed in South America as the new year opened. Peru and Colombia were concentrating naval, air and land forces in the vicinity of Leticia, a small town located on the Amazon, which was captured by a group of Peruvians on September 1. Brazil was seeking by all possible means to avert war between its two neighbors. At the same time, Paraguay and Bolivia were continuing their undeclared war which began more than six months ago.

Quest for Security Basic French Characteristic

As Individuals and as a Nation, the French Persistently Seek to Establish Safety for the Future. Views Toward European Problems Do Not Coincide with Those of America



A TYPICAL VILLAGE IN FRANCE. THE SCHOOL CHILDREN ATTEND CLASSES IN THE CITY HALL IN THE BACKGROUND.

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WHEN an American thinks of France, Paris is likely to come to his mind. He hears a great deal of Paris. If he travels in Europe his stay in France is likely to be taken up mainly, or perhaps altogether, with a visit to the capital. And so he may associate France with a city, modern, brilliant, sophisticated. And Paris, of course, does play a large part in French life. It does, to a great extent, dominate French politics. And yet, the fact remains that France is a rural nation. There are large cities in France, other than Paris, but the population, which is about a third that of the United States compressed within a territory a little smaller than Texas, is largely a population of villagers. Villages, such as the one shown in our picture, are sprinkled thickly over the plains and valleys of France.

The French, whether they are villagers or city folk, are a conservative people, well satisfied with their country and not much interested in foreigners or foreign ideas. Their great interest is in the establishment of security for themselves. They want to be safe in both their individual and their national lives. In order that they may be safe from economic hazards, they are very thrifty. They can seldom be induced to buy anything for which they cannot pay. They do not take kindly to installment buying. They live carefully, until they have acquired some sort of competence so that they can be assured that they can get along for the rest of their lives. When they have acquired this measure of security, they shake off some of the tendencies toward materialism. They do not scramble for gain for its own sake, as Americans are likely to do. They are not so anxious as we are to acquire great fortunes. They are likely to retire and settle down to quiet, contented lives.

In foreign relations, also, the French are anxious for security. They wish to be assured in some way that foreign armies will never again sweep across their land and lay it waste. They are afraid of the Italians because, under Fascism, these neighbors to the east of them are restless and ambitious and may conceivably break across the national frontiers. Italy casts eager eyes upon the French possessions of northern Africa. The French are afraid of Germany because the Germans have been dispossessed and are dissatisfied with the state of things set up by the Treaty of Versailles. The French know of but one way to be secure, and that is to have an

army so large and well prepared that it can beat off any probable invaders. If they could be assured that, if attacked, the other nations, including the United States, would come to their aid, they would probably reduce their armaments. But in the absence of such assurance, they intend to place their dependence upon their own military power.

Just now relations between France and the United States are somewhat strained because of the difference of opinion about the debts. The French think that since they no longer receive reparations from Germany they should not be expected to pay their debt to the United States. They feel that the war debts, like reparations, constitute a part of the settlement which followed the war, and if one part is cancelled the other should be. They feel that the payment of the debts disturbs economic stability and tends to deepen the depression.

The French people do not understand why the Americans insist upon the payment of the debts, but they should understand. The two countries should understand each other better than they do, for the French attitude with respect to the German payment of reparations was about the same until last summer as the Amer-

ican position respecting the debts has been, and continues to be. Until a few months ago the French were insisting that the Germans make payments to them. They ignored all appeals to the effect that the Germans were unable to pay and that the payment of reparations would disturb economic conditions throughout the world. They thought simply that the Germans owed the money and could pay if they wanted to. Due largely to the persuasiveness of Ramsay MacDonald, British premier, the French government, with Edouard Herriot then at the head, took a different position at Lausanne last summer and carried a majority of the French people with it. A similar change in American opinion toward the debts has not yet taken place. But if the French wish to understand the American position, they need only remember how they were feeling about the reparations until very recently. And if Americans wish to know how the French feel today, they have but to remember the criticisms of French policy toward Germany which have been so common in America during recent years. The French change of opinion on reparations came suddenly and a prominent American editor predicts a similar change of temper in America regarding the debts.



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PARIS—A GAY AND COLORFUL CAPITAL BUT ONLY PARTIALLY REPRESENTATIVE OF THE FRENCH PEOPLE.

THOUGHTS AND SMILES

The world more frequently recompenses the appearance of merit, than merit itself.

—Roche foucauld

A conscientious patriot is an office-holder who hesitates to take a salary cut for fear it may be against the law.

—Philadelphia INQUIRER

The Duce is stabilizing Italy's new steamships, and he doesn't permit anybody to rock the boat at home, either.

—New York HERALD-TRIBUNE

How few our real wants, and how vast our imaginary ones!

—Lavater

The international lesson of the day is that a debt settlement to be enduring must be enduring.

—Norfolk VIRGINIAN-PILOT

Depressed merchant out our way says he'd object neither to a sales tax nor to a tax on pterodactyl feathers.

—Arkansas GAZETTE

We read that an Englishman has invented an automobile which can turn corners at seventy miles an hour. We wish he'd give prosperity a lift.

—Atlanta JOURNAL

Trouble is, there's more victors than spoils.

—Weston LEADER

In the pursuit of happiness Man has no greater enemy than progress—if he ceases to be Man.

—Friedrich Sieburg

With the twentieth century one-third gone, we pause a moment to wonder where so many of the prominent men in the news reels still get those collars.

—LIFE

"Forgotten favors," said Hi Ho, the sage of Chinatown, "raise weeds of resentment in the garden where friendships were meant to grow."

—Washington STAR

An important financier says that one of the troubles of this country is too many banks. But this ill seems to be in process of abatement.

—New York HERALD-TRIBUNE

Our American fault as citizens is not our healthy resistance to rules but our failure in self-discipline.

—Stanley King

Among the cheerful notes in business is the fact that the average purchaser of a jar of hard candies in 1929 has used it up and is in the market again.

—LIFE

PRONUNCIATIONS: Eamon de Valera (ay'mon da va-lay'ra—a as in final) Dail Eireann (daw'el air'in), Jehol (ja-hol—a as in final, o as in go), Manchukuo (man-choo'kwo), Leticia (lay-tee'see-a).

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NO. 17

The Story of the Week

The first week of the new year saw the publication of a very important report—the report on “Recent Social Trends,” by a committee of social scientists which had been appointed by the president of the United States and which for three years had been engaged in studies of political, economic and social changes in this country. The publication of this report constitutes, in our opinion, the outstanding news of the year to date. It was thought desirable, three years ago last fall, that a body of trained social scientists should set to work to see what was happening in America—to see how things were going in industry, in the family life, in education, and in the fields of religion. The idea was that there should be an accumulation of facts tending to show how changes that were going on were affecting different phases of life and to determine what problems were arising as a result of these changes.

An eminent committee was appointed to take charge of this work. At its head was Dr. Wesley C. Mitchell, director of the National Bureau of Economic Research, professor of economics at Columbia University, and an authority on problems relating to economic depressions and the business cycle. Other members of the committee were Dr. Charles E. Merriam, chairman of the department of political science at the University of Chicago; Shelby M. Harrison, general director of the Russell Sage Foundation; Dr. Alice Hamilton, of the Harvard School of Public Health; Dr. Howard W. Odum, director of the Institute for Research in Social Science of the University of North Carolina; Dr. William G. Ogburn, professor of sociology at the University of Chicago, and Edward Eyre Hunt, who has had wide experience in economic research. The Rockefeller Foundation furnished \$500,000 to pay the expenses of the investigations which the committee might make, and other organizations and individuals contributed another \$500,000. Assistance was given by many different persons and organizations.

Now the report of the work has been made, and it covers a very wide range of subjects. We have not the space this week

to do more than indicate the nature of the report, but we shall have occasion from week to week to comment upon the findings of the committee. The conclusions are published in two volumes, and there are an additional thirteen volumes containing the materials and evidences upon which the conclusions are based.

Here are a few of the findings of the committee: The increase in population is slowing up and may cease after a while, the population becoming stationary. Family is playing a declining part in the social life. Inventions and mechanical changes have brought about many problems. The increasing complexity of our life has made it necessary for the government to expand its activities. Fifteen per cent of the income of the nation now goes to pay for work done by different branches of the government. The tendency seems to indicate greater, rather than less, activity by the government. Increasing use of machinery has thrown many people out of work, and recurring business crises make employment insecure. In order to provide against the hazards of life, such as unemployment, the country will probably turn toward various forms of social insurance.

The report found out that scientific and industrial changes call for changing legislation and ideas. “The committee does not believe in a moratorium upon research in physical science and invention,” says the report. “On the contrary, it holds that social invention has to be stimulated to keep pace with mechanical invention.” The committee declares that the trend of things seems to indicate the necessity of social control and national planning. It points out that the government planned and controlled industrial and social activities during the war. It did this in order that a great national objective might be attained. It should do the same thing now in a time of peace in order that another national objective, namely, stability and human welfare, may be attained. The statement is made that if things are allowed to drift, either dictatorship or revolution, or both, may result.

This report, it will be seen, is a thoroughly progressive document in that it insists upon the necessity of facing the fact of change and the necessity of discovering better forms of industrial and political organization than we now have. Those who are anxious to find means whereby our society may be improved, and whereby the lives of individuals may be rendered happier, will find in the facts assembled by this committee a wealth of material for their use.

ANOTHER group of social scientists was heard from last week. Twenty economists

from a number of the leading universities of the country sent an open letter to President-elect Roosevelt expressing their belief that three things should be done immediately to further the cause of world recovery: The tariff should be lowered; a settlement of the war debts should be brought about through negotiation; and the gold standard should be maintained in this country and should be restored in countries which are off the gold standard.

The economists argue that a lowering of the tariff wall would not hurt the United States. A large number of foreign products would be allowed to come into the country, but if foreign tariffs were also lowered, a market would be found for the sale abroad of American manufactured goods and farm products. The result would be a stimulation of employment here and more stable conditions everywhere. A settlement of the war debt question would also help trade conditions, and both debt revision and a lowering of the tariffs would tend to prevent gold from leaving the countries where it is badly needed. These policies would, accordingly, help to restore the gold standard.



DR. WESLEY C. MITCHELL

CONGRESS came back to work, following the usual holiday recess, on January 3. The House of Representatives cleared the track for a discussion of the domestic allotment plan of farm relief. This plan provides for a cutting down of production of farm products. The cut is to be made voluntarily by the farmers. They are to be induced to make the reduction by a guaranty of a bonus in addition to the market price of their products in case their production is cut down. The idea behind the bill is that the production of farm products should be lowered to an amount which could be consumed in this country. The way the added price is to be given to the farmers, and the way the whole plan is supposed to work will be discussed in THE AMERICAN OBSERVER next week. It is surprising that the measure is not attracting more attention, for it represents a striking departure from the customary methods of dealing with economic problems. It is likely, if adopted, to be far-reaching in its consequences.

The Ways and Means Committee of the House of Representatives is at work on a revenue measure and is thus tackling the thorny problem of deciding upon taxation measures strong enough to balance the budget.

The Senate is considering a change in the banking laws (see page 6). Next on the Senate program will probably be a bill to legalize beer. The proposal to submit an amendment repealing the eighteenth amendment is being considered by the Judiciary Committee. The House and Senate have reached an agreement on the Philippine independence bill (see AMERICAN OBSERVER, January 4). By the time this paper reaches its readers the Philippine bill will probably have been acted upon by President Hoover. It seems probable that the St. Lawrence Waterway Treaty will not be taken up by the Senate at this session, nor will the proposal to ratify adherence to the World Court.

PRESIDENT-ELECT ROOSEVELT is now a private citizen, his term as governor of New York having expired with the old year. Last Thursday he conferred in New York with a number of Democratic congressional leaders. The Democrats in Congress are looking to him for leadership. His word with them amounts almost to law. This is an interesting fact about American government and politics: The president is not only an executive—an administrator of laws—he is also a lawmaker. The Constitution gives him a negative power over legislation. He may



GEORGE S. COUNTS

Dr. Counts, professor of education in Teachers College, Columbia University, and associate director of the International Institute, joins the editorial board of THE AMERICAN OBSERVER this week. Dr. Counts has written a number of books on education, the best known being “The American Road to Culture.” He is especially interested in civic education and in that field he is an outstanding national leader.

veto acts enacted by Congress. He has the positive power, only, of recommending legislation to Congress, but custom has brought it about that the president is looked upon by the nation as a leader, and if he is popular with his own party, his will over the members of the party is almost supreme. As an evidence of the position Mr. Roosevelt holds with his party, it is to be noted that the Democrats in Congress will give the new president, after his inauguration, practically complete authority to reorganize the government bureaus at Washington so as to bring about efficiency and economy.

Mr. Roosevelt plans to stop in Washington for another conference with congressional leaders in about a week. After that he will go to Warm Springs, Georgia, where he will work at the selection of his cabinet and at the mapping out of the program he is to follow after the inauguration. On the way to Warm Springs he will inspect Muscle Shoals. With him at Muscle Shoals will be Senator Norris of Nebraska, progressive Republican, who has so long advocated the government operation of the Muscle Shoals electric power plant. Senator Norris has heretofore been thwarted in his efforts to bring about the government operation of this plant by presidential vetoes, but Mr. Roosevelt is committed to the government ownership and operation idea.

THE Japanese drive against the Chinese province of Jehol was apparently begun in earnest on January 2 when Japanese forces seized the city of Shanhaikwan. Shanhaikwan is an important Chinese garrison located south of the great wall. With China in possession of this strategic point any Japanese advance into Jehol would have been greatly impeded.

It remains to be seen whether continued fighting between China and Japan will develop as a result of this latest incident. There is some chance that the affair will be regarded as no more than just an incident. However, the weight of opinion in this part of the world was that Japan was ready to start her offensive against Jehol. She would like to detach this province from China in order to create a buffer state between China and Manchukuo. It was also held that China is not entirely unwilling to fight. Millions of Chinese have come to the conclusion that the League will never restore Manchukuo to them and that they must themselves take action. This is why, it is thought, China took steps to strengthen herself recently, by resuming diplomatic relations with Soviet Russia. It may be that if serious conflict develops Russia will be drawn into the fray. W. E. M.



THE GREATEST OF ALL SCHOOL TEACHERS
—Fitzpatrick in St. Louis POST-DISPATCH

WITH AUTHORS AND EDITORS

We read old books for their excellence, but new ones to share in the mental life of our time.—SATURDAY REVIEW OF LITERATURE.

American Foreign Policy

Frank Simonds, veteran correspondent and commentator upon international problems, author of "History of the World War," "Can Europe Keep the Peace?" and other books dealing with foreign affairs and relations, has written an excellent analysis of American foreign policy from the days preceding the World War to the present time; "Can America Stay at Home?" (New York: Harper's, \$3.00). The book is so clearly and simply written that it is easily within the comprehension of high school students, and yet so penetrating in its criticisms as to challenge the thinking of the best informed students of international policy.

Mr. Simonds holds that although America became a world power a generation ago, neither the people nor their leaders have learned how to cooperate effectively with other peoples. The reason is that they do not understand the actual conditions which prevail in Europe and Asia. They do not understand the realities with which they will have to deal in order to carry out a successful international policy. Wilson's great failure, he says, lay in the fact that he did not understand the racial and nationalistic situation in Europe. He insisted upon secured provisions in the Versailles Treaty which have had an unsettling effect. Certain peoples were dispossessed. Their territories were transferred to others and the result has been that Europe is divided into two camps, the one bent upon maintaining what it has secured, and the other bent upon taking back its lost possessions. Wilson had the vision and courage to see that the United States must assume responsibilities among the nations if world order is to be maintained. He saw that the United States, along with other nations, must guarantee the countries of the world against aggression if there is to be enough security so that nations will find it possible to disarm. But he helped to establish by the Treaty of Versailles an unjust political society—one which could not be guaranteed without perpetuating the injustices.

During the Harding and Coolidge administrations the attempt was made to maintain isolation. The theory was that America should refuse to assume any responsibilities. It should refuse to guarantee, along with the other nations, the countries of the world against attack. What these

administrations did not see was that if Europe was not safe, America could not be secure and prosperous, since our trade and our prosperity depended upon world order.

The Hoover administration has insisted upon disarmament, not realizing that the nations of Europe cannot disarm and will not disarm so long as they are threatened by attack from their neighbors and so long as the United States refuses to guarantee them against attack. Mr. Simonds criticizes President Hoover sharply for adopting the so-called "Hoover Doctrine" which proclaims that if a nation takes territory by aggression, the United States will not recognize the legality of the act. Mr. Simonds says it is folly to adopt a provocative course of that kind while still refusing to join the other nations in preventing the aggressive acts. What the United States is doing in this case, he says, is to set up moral judgments on acts of nations everywhere, while taking no steps to make that judgment effective. The result is that the words we utter have no effect at all except to make our country unpopular throughout the world. Mr. Simonds takes the position that the United States should join with the other countries in an agreement to take action against any nation which carries on an aggressive war. We should do this as a temporary policy in order to help pull the world through the present emergency. After that we should take account of the fact that some of the boundary lines need to be changed and that a way should be found by which the injustices established in the Peace of Versailles may be corrected. The argument is also made that war debts should be cancelled and that tariff walls should be lowered. If all this is done, the nations will feel more secure. Then, and not till then, will they be in a position to reduce their armaments.

A particularly telling point is made by Mr. Simonds when he calls attention to the fact that President Hoover, in his speech of acceptance, declared that America should be heavily enough armed so that no foreign soldier could ever set foot upon our soil. This sentiment, says Mr. Simonds, is approved by the American people. Yet they do not realize that no European nation demands more than that. All that France insists upon is that her armed forces be great enough so that no foreigner shall set foot upon her soil. That is all that England, or Germany, or Italy, or Czechoslovakia, or Poland, or any other nation wants. The difference between the United States and other countries, then, is not one of ideals, but merely one of geography.

A Rural Environment

"A Goodly Heritage," by Mary Ellen Chase (New York: Henry Holt and Company, \$3.00), is an autobiography of a New England writer, but it is far more than that. It is a very interesting description of life in a Maine village in the latter part of the nineteenth century. By telling the story of her life and experiences, the author draws an interesting and effective

picture of the social conditions which prevailed in rural New England a generation ago. This account has a general interest inasmuch as similar conditions were found throughout a great part of the country. These conditions are studied in relation to their effect in the molding of personality.

This is a very interesting study indeed. What sort of people developed from an environment of that kind? What did it do to boys and girls, to men and women, in terms of human life and happiness? What may be said of this kind of environment—this heritage—as compared with that which is the possession of the boys and girls, the men and women, of our own time? The writer of these sketches does not undertake to say. She does not preach. She does not instruct. She simply portrays the life as she found it. She tells of the games and pastimes, the observance of the Sabbath, the religious beliefs and practices, the daily occupations, education, the village school, the academy and college life. Color and interest are lent to the narrative by the bringing in of incidents such as the visits of peddlers, the occasional passing of gypsies through the village, the Saturday afternoon ritual of baths and of preparation for the Sabbath. No one should be scared away from this book by the comment that it partakes of the nature of a study. One is not aware of that fact as he reads it. He will think of it rather as a charming and entertaining story of life in a simple, but on the whole attractive, environment.

Wise Economy

How can we economize in carrying on our municipal and local governments without crippling necessary services now performed by those governments? That is a question which thoughtful citizens cannot escape. Those who are interested in maintaining the necessary work of the cities and the school districts cannot adopt a merely negative attitude. The taxpayers are insistent upon a cutting down of expenses. What program of curtailment can be carried out with the least harmful effects? A committee of the National Municipal League has tackled that problem and has prepared a report outlining desirable economies. An abstract of the report is to be found in the *American City* for December, 1932.

Among the recommendations are these: the elimination of townships, the consolidation of school districts, the elimination of overlapping county and municipal functions, the provision for definite planning both as to projects to be carried out and as to the providing of income, the establishment of adequate accounting systems, the elimination of the spoils system, and finally, the substitution of other sources of revenue for the general property tax.

Realism and Artistry

There are plenty of books which are meant to be wholesome in their effect, which emphasize the aspiring elements in human nature, but which are spoiled by being unrealistic and untrue to life and which are frequently inartistic in presentation. There are other books, many of them, which are artistic and hence approved by critics, which are true to certain facts of human life, but which emphasize the uglier aspects of existence. Once in a while we find a novel which combines wholesomeness of outlook with realism and



THE CHICAGO CIVIC OPERA

This institution, like so many improvements in our cities, is closed—a victim of the depression. Should such organizations be supported? The question of appropriate measures of economy is discussed in *American City* for December, 1932. (Illustration from "Chicago: A Portrait," by E. H. Suydam. Century.)

artistry. Such a novel is "Greenbanks," by Dorothy Whipple (New York: Farrar and Rinehart, \$2.50).

"Greenbanks" is the name of a house. It is the home of a family whose experiences are traced through three generations. The central figure is Louisa Ashton, a woman of sympathy, common sense and nobility of character, who figures admirably as a mother and grandmother. The story is laid in England. Because the narrative is an interesting one, because the writing is well done, because the characters ring true and because the tone is inspired by high ideals, we recommend "Greenbanks" to our readers with enthusiasm.

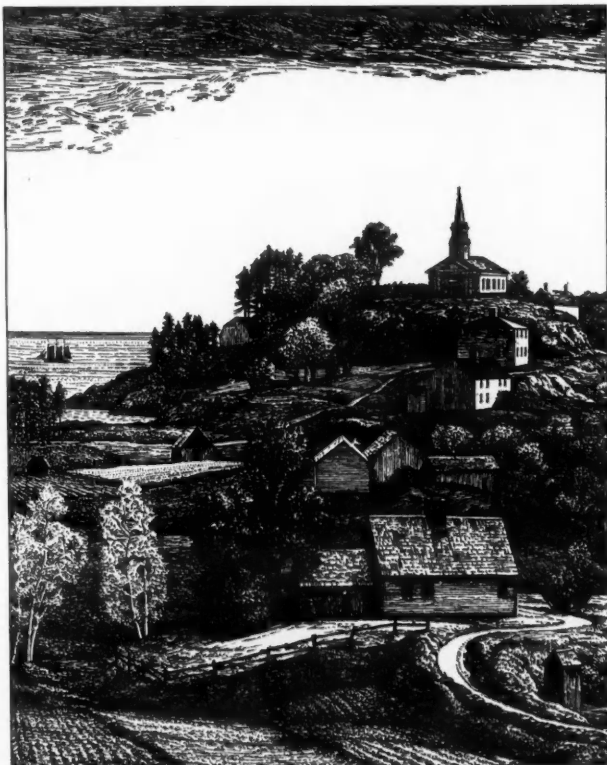
African Adventure

Wilfrid D. Hanbly tells a very interesting story of an expedition into Western Africa with which he went as leader, representing the Field Museum of Chicago. His book is called "With a Motor Truck in West Africa" (New York: Century Company, \$2.00). Mr. Hanbly and his companions traveled through the country in an old Ford motor truck and they had many exciting experiences and observed much of interest about the people and the country. It is about this trip and his observations that the author tells. He tells of the habits of the natives, how they live, their superstitions, their medicine men, the drummers who beat their drums so as to call to distant villages, the games and occupations of the children. The incidents here related are written in such a way as to appeal to young and old.

Recent Magazine Articles

Here is a list of articles from current magazines—articles dealing with interesting and important problems:

1. An American Farmer Looks Abroad. By F. B. Nichols. *Foreign Affairs*, January, 1933, pp. 245-252.
2. Back to Barter. By Murray E. King. *New Republic*, January 4, 1933, pp. 211-213.
3. The Future of Radical Political Action. By John Dewey. *Nation*, January 4, 1933, pp. 8-9.
4. Books and the Strong Tide of Internationalism. By Henry Seidel Canby. *Forum*, January, 1933, pp. 26-30.
5. American Policy Toward Russia. By Vera Micheles Dean. *Current History*, January, 1933, pp. 425-432.
6. European Prospect for 1933. By Frank H. Simonds. *Review of Reviews*, January, 1933, pp. 31-32.
7. Inside the R. F. C. By John T. Flynn. *Harper's*, January, 1933, pp. 161-169.



FROM THE JACKET OF "A GOODLY HERITAGE" BY MARY ELLEN CHASE



WHEN the Jacksonian period is reached in the study of American history, and when the controversy between Jackson and the Bank is taken up, an admirable illustration is afforded of the relative permanence of forces determining historical events. One who studies the banking problems of Jackson's time comes into contact with facts and theories which are familiar to the student of present-day banking problems. The student of the Jacksonian time and the follower of present problems are seen to be working at the same set of questions.

Jackson and the Bank

Jackson was dealing with a great central banking institution which had branches in all parts of the country. Though the Bank operated throughout the country, it was owned almost wholly by people who lived in the larger cities of the northeastern section. Its stock was mainly in their hands and in the hands of foreigners. Now Jackson was a representative of the West and the South. It was the people of these sections who had elected him. It was these people among whom he had lived and whose political, economic and social views he shared.

These people, mostly farmers, looked upon the National Bank as a foreign institution; that is, foreign to their geographical regions. There was a feeling that the National Bank and its branches were ungenerous in making loans. It may be that the National Bank officials were merely prudent. It may be that they refrained only from making loans which were questionable. But it is natural that the farmers and merchants of the West and South, who were in the main debtors and who were looking for easy money, should have been hostile to the Bank and should have wished the banking of the country to be done by the smaller state banks, operated by residents of the localities in which they operated.

There were other objections to the National Bank. It was claimed that this great central financial organization was in a position to exercise too much political

power and that it was unscrupulous in the use of power. It was claimed specifically that the Bank made loans of its funds to its political friends, and denied them to those who were in opposition. This was probably not true before the contest for a recharter of the Bank opened. But it was true after the fight began. In the midst of the controversy, the Bank did use its funds for political purposes. It made loans to its friends. It denied them to its enemies.

Charges Against Bank

It hired prominent political leaders as its attorneys. One of these leaders who received a retainer from the Bank was Daniel Webster, who led the fight in the Senate for the recharter. A graver charge against the Bank was that in the midst of the controversy it withheld loans from would-be borrowers with the intention of producing a money-scarcity and hard times. It wished to squeeze borrowers and to bring about a condition of depression or panic in order to scare the voters into rechartering the Bank. It did bring about the hard times, but it did not scare the voters, for they followed Jackson instead and gave him such support that he was enabled to break the power of the Bank and to institute a system of state banking, which prevailed until the time of the Civil War.

Since the Civil War we have had national banks operating side by side with state banks, but the national banking system has been decentralized. There has not been a great central bank with branches, but rather separate, independent, national banks scattered all over the country, operating under the supervision of the national government. A degree of centralization was brought about by the establishment of the Federal Reserve System in 1913. Now an attempt is being made to bring about a still greater measure of centralization by making it easier for national banks to establish branch banks.

One reason for wishing to bring about an amendment to our banking laws is to

be found in the great number of bank failures which have occurred during recent years. It is a mistake to assume that these failures have come wholly as a result of the depression. Harold G. Moulton says, in his "Financial Organization:"

Recent Bank Failures

Not since the collapse of wild-cat banking schemes in the thirties and forties of the last century has the number of bank failures been comparable with those of the last few years. During the nine-year period from July 1, 1920 to June 30, 1929, inclusive, approximately 4,925 banks, over 20 per cent of the total, closed their doors, tying up deposits of approximately \$1,500,000,000. Of these institutions, 4,228 were state and private banks and 697 were national banks. It is of interest to note, also, that the failures have been more numerous in recent years than they were in the period immediately following the financial collapse of 1920. Of the foregoing total, approximately 4,000 have occurred since the end of 1923.

Dr. Moulton's analysis was made, it will be observed, at the conclusion of the so-called period of prosperity. Senator Carter Glass, of Virginia, who will have charge of the preparation of banking legislation in the Senate during the coming year, brings the figures up to date by saying that "This tendency to bank failure started ten years ago and grew more and more pronounced (except during the boom years) until it reached the astonishing total of 2,290 banks closed during 1931." Senator Glass then outlines the following remedial measure, which he proposes to insert in the bank bill soon to be submitted to Congress:

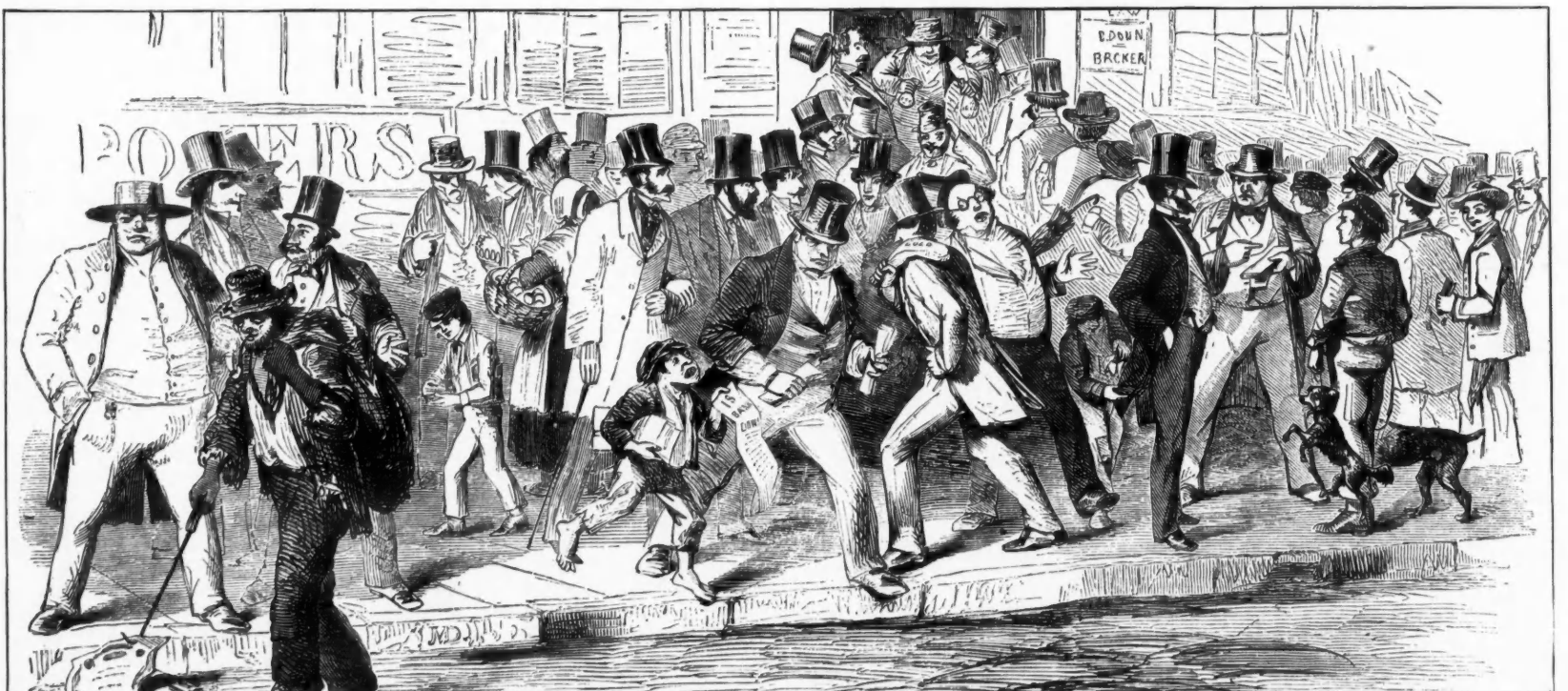
This drift toward failure has grown out of the weakness of the banking system, and the way to correct it is to correct defects in the system itself. The committee proposes to permit national banks to establish branches, not merely in towns and cities in which they are located, but also at any point within the borders of their state. In addition, it proposes that if by reason of the proximity of a national bank to a state boundary line the ordinary business of the bank extends into an adjacent state, the Federal Reserve Board may permit the establishment of a branch or branches across the state line but not beyond

fifty miles from the parent bank. No such branch outside its own city may be established by a national bank whose paid-in and unimpaired capital is less than \$500,000.

The argument in favor of branch banking is that it would lead to the establishment of banking institutions stronger than the small independent units which serve only single communities. If a branch of a great city institution were established in a smaller community, the people of that community would have at their disposal a bank which would not fail unless the parent institution itself failed. If the branch banking should become general we would come closer to the British system. The British have one great banking institution with branches everywhere, and there can be no failures unless all the banks fail. As a result of this there have been no bank failures in Great Britain during the depression. Neither have there been bank failures in Canada, which has a similar system. Branch banking would not bring about such a result but it would be close to such a result.

"A primary objection that has been raised to branch banking," says Dr. Moulton, "is that the managers of the parent institution inevitably possess inadequate knowledge of conditions in the local communities served by the branches, and that credit extension comes to be determined by inflexible rules, rather than by intimate knowledge of local needs and potentialities." The reply to this objection is, of course, that local bankers are sometimes too generous in granting their loans and as a result they get into trouble, fail, and cause loss to all depositors.

But the fundamental issue is much the same as it was in Jackson's time. It is a question of dependence upon small local banking units, with a suspicion of powerful centralized organizations, versus insistence upon the powerful centralized units as a guarantee of strength. The advocates of chain banking and other means of strengthening the centralized organizations at this time couple their demands with a demand for stronger supervision of banks.



BANK PANICS ARE NO NEW DEVELOPMENT IN AMERICA. THIS OLD PRINT DEPICTS A RUN ON A SAVINGS BANK BEFORE THE CIVIL WAR.

Culver Service

Moderate Decline in Volume of Business Since Middle November

Downward Trend Attributed Partly to Seasonal Fluctuation and Partly to War Debt Controversy

By HAROLD G. MOULTON



HAROLD G. MOULTON

In writing about the business situation in mid-November we called attention to the fact that in many lines of manufacturing and trade the tone of business had been distinctly encouraging. From August through to the middle of November, despite unstable securities markets, the volume of business showed a considerable increase. From that time on to the end of the year, however, the trend was reversed—not sharply, but none the less definitely. In manufacturing lines and in wholesale and retail distribution—except in the distinctly holiday trades—there was a material decline in the volume of business. The prices of stocks, of basic commodities such as wheat and cotton, and of commodities generally also showed some decline.

These declines are not to be taken as conclusive evidence of a new period of intensified depression. In interpreting the trend of business over any short period of time, one must always bear in mind certain seasonal fluctuations. There are, in fact, five more or less clearly defined seasons each year. The first season extends normally from early in February until about the first of April. This is the period in which manufacturing for the so-called spring trades takes place. The second season extends from about the first of April to the middle of June. It is marked by some decline in manufacturing, but shows well-sustained wholesale and retail distribution, being influenced by the extensive spring planting activities of the agricultural regions. The third season, from late June to about the middle of August, is on the whole one of

midsummer dullness—following the planting season and preceding the heaviest marketing of farm crops. The fourth season extends from about the middle of August to the middle of November. It is the most active season of the year, since the crop moving is at its height, and manufacturing activities for the autumn and holiday season trades are in full swing. The fifth season runs from about the middle of November to about the first week in February. It is one in which the autumn business tapers off through December, and continues at a relatively low level until the revival of early February. Automobile manufacture, which plays so important a role in our national life, normally reaches the lowest point of the year in November and December.

The decline we have witnessed since the middle of November is therefore certainly to be ascribed in part to seasonal factors. Nevertheless, one other important element has been instrumental in increasing the instability. Reference is made to the situation presented by the war debt controversy. It appears to have been assumed by a large part of the business community that the war debt installments would be met in December and that that problem was pretty well settled. Another important part of the community, however, had apparently assumed that the United States would grant a new moratorium for a period of two or three years, thus laying this troublesome question upon the table until such time as world economic conditions were generally more stable. Both groups were disappointed. The European governments announced that they wished to have the December payments laid aside, but the American Congress and a very important section of the American people insisted that the installment should be met without question. The result was to unsettle the



BUT THE BRIDGE IS STILL DOWN

—Darling in N. Y. HERALD-TRIBUNE

whole problem and to create uneasiness in the minds both of those who feel that we must have these payments for the relief of our taxpayers, and those who believe that the elimination of the debts would go far toward stabilizing international trade and finance.

An interesting feature of the month of December was the resistance of the stock and bond markets to any serious declines. December is normally a month in which a great many people sell securities in order to establish losses which can be used as an offset against earnings in computing income taxes. It was freely predicted that stock prices during December would decline to the lowest levels of the entire

year. But they held up very well. In fact, on the last day of December the average was a point higher than on the last day of November. This is the most encouraging symptom in the present situation.

According to an apparently well founded rumor President-elect Roosevelt has offered the post of secretary of the navy to Senator Claude A. Swanson, of Virginia. Senator Swanson was a delegate to the disarmament conference in Geneva and has a wide knowledge of naval affairs. The rumor has it that if Senator Swanson accepts the post his vacancy in the Senate will be filled by former Governor Byrd.

Pearl Buck, Novelist, Has Rare Knowledge of China

Pearl S. Buck, American authoress, is more than just a novelist. She is an interpreter of a civilization—a civilization vast in size, ancient in tradition and mysterious in its way of life. Perhaps no



PEARL S. BUCK

other American is so peculiarly equipped to write about contemporary China as is Mrs. Buck. She has lived with the orientals most of her life, has suffered with them, understands their desires and hatreds and yet she has had an American education enabling her to write clearly on the subject with which she is so familiar.

She was born in the ancient city of Yochow, far in the interior of China. Her parents were American missionaries from Virginia. They moved about from one Chinese town to another. They allowed their children to play freely with the Chinese. A chief figure of Pearl Buck's childhood was an old Chinese nurse who lived with the family for a number of years. She told the young American girl thrilling stories of rebellions and famines.

When Pearl Buck was seventeen her family came back to America, where she completed her education at Randolph-Macon College in Virginia.

After graduation she returned to China and shortly thereafter married a young American missionary. Their work took them to a small town in northern China, where they lived for five years.

During all this time of close association with the Chinese, Mrs. Buck was reading about them. And in more recent years she has been writing about them. Her chief novels are "The Good Earth" and "Sons."

NEW SWOPE PLAN

Gerard Swope, president of the General Electric Company, is well known for his activities in attempting to better the conditions of workers. His latest step in this direction was taken a few days ago when he proposed a remedy for future unemployment, before the American Association for the Advancement of Science. He said that every worker should be guaranteed enough employment each year to maintain a "healthy standard of living."

Here is his plan: each industrial organization would create a fund, contributions to be made by both employers and employees, to tide it over lean years in order that it would not be forced to lay off workers. Mr. Swope would also establish unemployment reserves so that each business concern would have a double precaution against the evils of unemployment.



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GERARD SWOPE

Howard Scott, Technocrat Chief, Has Startled Nation With Proposals to Reorganize Society

Who is he? What are his credentials? Is he a genius or merely a confused theorist? These are questions one hears at every turn in connection with Howard Scott. Yesterday he was unknown—today he commands much space in the country's leading journals. He is the leader of the technocrats, a group of engineers who have startled the country with their unique theories. (See page 1.)

Mr. Scott is a comparatively young man, only forty-two years old. Though born in Virginia, he was reared and educated in Europe. His father is an able engineer and he directed his son's early life along this line. Scott, when very young, obtained the degree of Doctor of Engineering from the University of Berlin. Shortly before the opening of the World War, he left an important position in a German dye plant, went to Canada and was employed in the building of munitions plants. After the war he went to New York City and opened an office as a freelance consulting engineer. Since then he has developed his ideas on technocracy by extensive study and by forming groups which have met weekly to engage in discussions. These groups have expounded their views for many hours at a session.

Scott's big opportunity came in 1930

when Walter Rautenstrauch, professor of industrial engineering at Columbia University, let him use a room at the university to carry on research. This affiliation lent prestige to technocracy. It was not until a few weeks ago, however, that the survey made by Scott and his associates received much attention. But once the movement got under way it gathered momentum very rapidly.

Scott is extremely tall. Though he is usually seen with a pleasant smile he has the appearance of being weary and emaciated. Despite all other criticisms, everyone who comes into contact with him agrees that he possesses a vast store of scientific knowledge. And regardless of the merit of technocracy, it cannot be said that Scott is a mere demagogue craving notoriety, for he sincerely believes in his theories and for years he has broadcast them to anyone who would lend an ear.



HOWARD SCOTT

Unstable Currencies in Foreign Countries Deeply Affect America

(Concluded from page 1)

sink deeper into the chaos of depression.

That is the sort of thing which was going on, with occasional brief recoveries, until last summer. Since then prices have been about stationary, except for a recent moderate seasonal decline, and so in many quarters there are sighs of relief. There are hopes that we are through with the worst of it. But then comes a note of anxiety. Troubles originating in foreign nations, we are told, may lead to price declines which will spread all over the world. We are reminded that there appeared to be a prospect of recovery in the spring of 1931 and that the hopes were blighted by European financial crashes, the effects of which were felt around the world. We are reminded of what happened after England went off the gold standard in the fall of 1931, and we are told that similar, or even worse, disasters may overtake the world, unless certain international problems which threaten financial stability in European nations are wisely handled.

Foreign Currency Troubles

We often hear it said that financial troubles abroad may upset our own hopes of recovery. But just how might currency troubles in other lands affect us so deeply? This question seems a very difficult one, but it may become plainer if we review the course of events following the abandonment of the gold standard in England a year ago last fall. Here was a case of a national currency which fell in value. How such a fall in the value of currency may affect prices is described in the following quotation from *THE AMERICAN OBSERVER*, October 7, 1931:

The British government had been saying, in effect, "If any one, native or foreigner, has British paper money which he wishes to exchange for gold, we will give him 112.988+ grains of pure gold for every pound." (112.988+ grains is exchanged in American money for \$4.866+). On September 20 the government announced that it would no longer make that exchange. An English pound, since then, does not exchange for 112.988+ grains of gold or for \$4.866+. It exchanges for only as much as one can get for it in the market. A week after the announcement of the British government it was exchanging for only 91.22+ grains, or \$3.92.

Let us suppose that a week after the so-called "fall of the pound" an Englishman, whom we will call Mr. John Bull, goes out shopping. He sees little to indicate that the financial structure of society has tottered. Goods in the stores are still marked by the same price tags. The shoes which were selling for a pound the week before still carry the pound price mark.

But Mr. Bull has an American friend with him—a Mr. Henry Jones. Jones had been out the week before and had seen the shoes with the price mark of one pound. But he did not buy them. If he had changed his American money into English, it would have taken \$4.86 to obtain a pound note. The shoes then, would have cost him \$4.86. He could, however, buy shoes of the same quality in the United States for \$4.50. That is why he did not exchange his \$4.86 for a pound and buy the shoes. But the week following when he sees the shoes the case is different. They are still selling for a pound, but by this time the pound is not worth \$4.86 in American money. He can secure a pound note with \$3.92. That is what he does. He trades \$3.92 for a pound and then he buys the shoes. They have cost him only \$3.92. He has saved 58 cents.

That sort of thing is happening on a large scale. Foreigners are not only finding it profitable to buy items for personal use, but foreign traders are placing large orders for British goods. These goods, priced in terms of English money, are lower in terms of gold than goods in countries which are on the gold standard. Just as Mr. Jones found it profitable to buy the shoes because he could exchange his American dollars to good advantage, so the traders find it to their advantage to buy goods in the British market.

World Price Effects

The pound continued to fall until it is now worth only about \$3.30. Of course, Americans who could buy shoes and other goods in England for \$3.30, when they would have to pay \$4.50 in their own country, are anxious to do so. American shoe manufacturers, in order to keep in business are obliged to cut the price of shoes. The same thing goes on in other countries and the result is that the fall of British currency leads to a fall in prices throughout the world. That is one reason why the depression became so much worse in America and everywhere else during the early part of 1932. The situation is made the more difficult by the fact that not only England but a number of other nations have gone off the gold standard and their currencies have depreciated.

Tariff Barriers

In order to keep from being flooded with these cheaper goods from the outside, nations have erected their tariff walls higher than ever. There is a clamor in the United States for raising our walls higher yet in order to keep out the cheap products from England and from other nations which have gone off the gold standard. The erection of these tariff walls makes it hard to carry on international trade. Other nations cannot sell their goods to Ameri-

cans because of our tariff and we cannot sell our goods to foreign nations because of their tariffs. France, for example, has a tariff of \$1.71 per bushel on wheat and Germany has a tariff of \$1.62 per bushel. This makes it impossible for Americans to ship their wheat to those countries. As a result of the tariffs, our farmers cannot export their wheat and so wheat prices in America are the lowest in history and our farmers are in distress. A world which has depended for its prosperity on trade among the peoples of the different nations finds that trade coming to a standstill.

Disturbing Problems

Conditions became fairly stable about half a year ago. Prices had by that time readjusted themselves to the new conditions and since then they have been, as we said a while ago, about stationary. The question now is as to whether another shock to the British and other currencies might start those currencies declining again and might lead to a still further fall in prices throughout the world. That is why there is so much anxiety about the international debts. If nations are obliged to ship gold beyond their borders, this cuts down their gold reserves. It becomes more unlikely that their paper currency can ever be redeemed in gold at anything like the present values. The pound in England took a serious tumble when it became evident that the semi-annual debt payment would have to be made to the United States on December 15. Other currencies have also fallen. If it should appear that the debtor nations would be obliged to continue these payments, or else lose their credit by defaulting, it is possible that the pound in England, and other currencies elsewhere, might decline and that prices everywhere might start downward, as they did in 1931.

Then there is the question of disarmament. So long as nations are afraid, so long as they are insecure, so long as they see their neighbors arming, so long as they must pay out huge sums for armaments, financial systems will be unbalanced and they will be in danger of crashes which may undo all the work which has been done in the direction of recovery. And this effect may be felt, not only in Europe, but everywhere.

Prospects for 1933

Our fate during the coming year depends, then, to a considerable extent upon the way international affairs are handled. What prospect is there that these problems will receive adequate and competent attention? So far as the war debts are concerned, it may be said that negotiations concerning them will be carried on. President-elect Roosevelt has indicated that he does not favor a general conference to consider the subject, but that the



WORTH FIGURING OUT

—From Emporia Daily Gazette

case of each debtor nation will be studied. Another payment of the debts will be due the 15th of June. Will negotiations be carried to a point which will permit a revision of debt terms before that time, and will this revision be submitted to a special session of Congress before July? If not, it is generally assumed that all the debtor nations will default, as France has already done. This would, of course, be a shock to credit and to world financial conditions.

A World Economic Conference is scheduled to be held this spring or summer. The details concerning it have not been worked out. The place of meeting is not certain. It may be in London. It may be in Geneva. And there is a possibility of its coming to Washington. The program has not been fixed, as yet, either, but it seems fairly certain that a wide range of subjects will be discussed. There will be conversations as to means by which the currencies of the world may be placed on a secure basis. The question of tariffs and other hindrances to trade will be threshed out. Many other economic problems of international significance will be debated. And then there is the matter of disarmament. The Arms Limitation Conference, which has been in recess, will probably meet some time during the year.

The world, then, is watching these three developments: the negotiations on the war debts, the work of the proposed World Economic Conference, and the Arms Limitation Conference. And all the while, looming on the horizon as a disturbing factor, is the conflict between Japan and China. Japanese aggression threatens the influence of the Paris Pact and of the League of Nations and of the treaties designed to stabilize conditions in the Far East. The League of Nations has protested, but so far the protests have been in vain. The United States has protested with similar result. What decisions regarding League of Nations policy and regarding American policy with respect to Japan will the year 1933 bring to pass?

BALKANS

The Balkan peninsula, which was the scene of international strife before the World War, has become the source of friction between Italy and Yugoslavia. Last week, the Yugoslav government officially protested against a customs union which, it declared, Italy is trying to force upon Albania in return for an Italian loan. Yugoslavia is opposed to such a union because it would increase Italian military power in the Balkans and consequently endanger her security. For a number of years Italy has had a military and economic alliance with Albania, and Yugoslavia has been constantly apprehensive of her growing power.



Wide World Photos

GENEVA—WHERE WORLD PROBLEMS ARE ALMOST CONSTANTLY UNDER DISCUSSION.